

June 26, 2020

The Honorable Andrei Iancu
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA, 22314

Re: PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence

(Docket No. PTO-P-2019-0024, 85 FR 31728-21732)

Via email: PTABNPRM2020@uspto.gov

Comments of Unified Patents

I. INTRODUCTION

Unified Patents, LLC (“Unified”) respectfully submits these comments in response to the PTO’s invitation to comment on the May 27, 2020, proposed changes to the rules of practice for *inter partes* review (IPR) proceedings. Unified appreciates the opportunity to provide input on the IPR process and commends the PTO for its ongoing efforts to improve IPR proceedings and ensure that the legislative intent of Congress is fulfilled.

Unified was founded by intellectual property professionals over concerns with the increasing risk of entities asserting poor-quality patents against strategic technologies and industries. Unified protects technology sectors by deterring the assertion of invalid patents. As part of its mission, Unified solely and independently determines which patents it believes to be unpatentable, and independently and solely directs, controls, and funds post-grant administrative proceedings, both before the PTO and internationally. To date, Unified has filed over 200 IPR petitions. Unified has an interest in the proper functioning of the patent system, the fulfillment of Congress’ plain intent, and the efficiency of IPR proceedings.

Unified generally supports the sections of the PTO’s proposed rulemaking that formalize the current practices on no partial claim institution view of the Supreme Court’s decision in *SAS Institute v. Iancu*,¹ *i.e.*, institution of all challenged claims, and generally supports the common-sense change of formally allowing parties to address issues raised in the institution decision

¹ 138 S. Ct. 1348 (2018).

(subject to additional considerations discussed below). Unified opposes the elimination of the presumption at institution favoring petitioners as to testimonial evidence provided by a Patent Owner in a Patent Owner Preliminary Response (“POPR”) in current form, and strongly opposes making such a change retroactive.

The change will lead to more procedural accretion and additional, expensive legal costs in the pre-institution phase, contrary to the PTO’s own statements as to why the presumption was implemented in the first place.² We also note that without further revision, decisionmakers may interpret the elimination of the presumption as changing (or raising) in any way the burden of persuasion at the institution phase.

Should the PTO nonetheless eliminate the presumption, changes must be made to ensure the rule is not applied retroactively in violation of filed petitioner’s due process rights. The Board should also consider safeguards to address the inevitable credibility and procedural issues raised by petitioners (*e.g.*, the ability to depose experts pre-institution or submit replies to POPRs). Without such safeguards, there is a risk of wildly divergent panel-specific outcomes, and a risk that patent owners will be able to unfairly raise non-credible factual issues without the ability to test them via deposition and briefing. Accordingly, if the presumption is eliminated, Unified proposes modifying the final rule and providing further guidance allowing petitioners to address testimonial evidence in a POPR and via deposition prior to institution, and at a minimum changing the Trial Practice Guide to prevent patent owners from unilaterally withdrawing declarations prior to deposition should a trial be instituted.

II. THE PROPOSED RULEMAKING

A. Proposed Amendments to §§ 42.108(c) and 42.208(c) (elimination of the presumption in favor of petitioner for material fact issues created by patent owner’s preliminary expert testimony at institution)

Unified opposes the elimination of the presumption in view of several concerns, not least because the change risks altering how the threshold standard for institution is interpreted; the change may lead to excessive litigation in the pre-institution phase (becoming a trial within a trial); and there are no safeguards in place to prevent this excessive litigation. The original rule reflects the same types of presumptions that apply in District Court to early 12(b)(6) and summary judgment motions and is the result of reasoned decisionmaking. Notwithstanding, if the presumption is eliminated, the change should not be retroactively applied, and procedural measures should be put in place to allow a petitioner to respond to testimonial evidence in a POPR.

² See 81 Fed. Reg. at 18755-6 (April 1, 2016).

1. “Reasonable Likelihood” Standard for Institution and Purpose of the POPR

If the presumption is eliminated, it should not be viewed as altering the standard for institution, which is that “the information presented in the petition” shows “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”³ For example, the “reasonable likelihood” standard has been generally interpreted to mean there is a “50/50 chance” that the petitioner will prevail in its challenge.⁴ In addition, the legislative history of the America Invents Act (“AIA”) indicates that the statutory “reasonable likelihood” standard was intended to “require[] the petitioner to present a prima facie case,” akin to a District Court’s determination of “whether a party is entitled to a preliminary injunction.”⁵ The Federal Circuit has clarified that the reasonable likelihood standard for institution is lower than the standard required to prove unpatentability at the conclusion of an instituted trial, by design.⁶ As explained, “there is a significant difference between a petitioner’s burden to establish a ‘reasonable likelihood of success’ at institution, and actually proving invalidity by a preponderance of the evidence at trial.”⁷ Accordingly, elimination of the presumption should not be interpreted as changing (or raising) the standard for institution—doing so would contradict the plain language of the statute and the PTO’s own regulations.⁸

Eliminating the presumption also risks inviting the parties and the Board to engage in activities meant to be reserved for the trial itself. As mentioned, at the institution stage (as with any factual issue), the petitioner must meet its burden of production in establishing a reasonable likelihood at least one claim is unpatentable. Beyond this burden, any issue of material fact related to the patentability of the challenged claims should be resolved in an instituted trial where a full evidentiary record has been developed to ensure “the just, speedy, and inexpensive resolution” IPR proceedings were meant to provide.⁹ The Federal Circuit has held that parties are meant to develop the evidentiary record in an instituted proceeding because “[t]he purpose of the trial in an *inter partes* review proceeding is to give the parties an opportunity to build a record by introducing evidence—not simply to weigh evidence of which the Board is already aware.”¹⁰

Finally, eliminating the presumption may allow a Patent Owner to introduce disputes of material fact via expert testimony on the patentability of the challenged claims that lead to a discretionary denial of institution. This is not a just result, particularly where the petitioner is not allowed to respond. The PTO has stated that “[t]he Office understands the concern that a petition should not be denied based on testimony that supports a finding of fact in favor of the patent owner

³ 35 U.S.C. § 314(a); *see also* 37 C.F.R. § 42.108(c).

⁴ *Message from Chief Judge James Donald Smith, Board of Patent Appeals and Interferences: USPTO Discusses Key Aspects of New Administrative Patent Trials*, April 4, 2012 (available at <https://www.uspto.gov/patent/laws-and-regulations/america-invents-act-aia/message-chief-judge-james-donald-smith-board#heading-1>) (last visited June 24, 2020).

⁵ 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

⁶ *See* 35 USC 316(e).

⁷ *TriVascular, Inc. v. Samuels*, 812 F.3d 1056, 1068 (Fed. Cir. 2016).

⁸ *See* 35 U.S.C. § 314(a). Unified further notes that the presumption is already limiting and applies “solely for purposes of deciding whether to institute *inter partes* review.” 47 C.F.R. § 42.108(c).

⁹ 37 C.F.R. § 42.1(b).

¹⁰ *See Genzyme Therapeutic Prods. Ltd. P’ship v. Biomarin Pharm. Inc.*, 825 F.3d 1360, 1367 (Fed. Cir. 2016).

when the petitioner has not had an opportunity to cross-examine the declarant” as the reason for implementing the presumption “solely for purposes of institution.”¹¹ Nothing has changed since the PTO wrote those words. In addition, the defined scope of a POPR is setting forth “reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.”¹²

The POPR is intended to be just as it says—preliminary—and to identify why the petitioner failed to carry its burden, not for the Patent Owner to make an affirmative case for patentability. Allowing some testimonial evidence in the first place was a concession that has already overly complicated pre-institution regulatory requirements. Because the Board considers “a balanced assessment of all relevant circumstances of the case, including the merits”¹³ in deciding whether to institute, eliminating the presumption risks allowing a Patent Owner to introduce myriad disputes of material fact in the POPR—now given full weight—to which the petitioner currently has no manner to respond, and which, even if instituted, may be withdrawn by the Patent Owner without consequence. Denying institution over a preliminary material factual dispute frustrates the purpose and intent of AIA trials.

2. *Excessive Pre-Institution Litigation, Lack of Safeguards, Retroactivity, and Risk of Inconsistent Results*

Post-grant proceedings were intended to provide a timely, cost-effective alternative to litigating the validity of patents in district court.¹⁴ In creating the presumption, the PTO stated: “[b]ecause the time frame for the preliminary phase of an AIA proceeding does not allow generally for cross-examination of a declarant before institution as of right, nor for the petitioner to file a reply brief as of right, the Office is amending the rules to provide [for the presumption].”¹⁵ But if this change goes into effect, whenever a Patent Owner submits expert testimony with a POPR, it is likely that petitioners (particularly experienced, well-heeled ones) will request a reply, a deposition of the expert, or both, now that the expert's testimony is given full weight. As support, petitioners may point to the PTO’s prior statements that a petition should not be denied institution based on testimony when the petitioner has not had an opportunity to cross-examine the declarant.¹⁶ At present, there are no procedural guidelines in place to address these concerns and prevent the pre-institution phase from spiraling into a trial within a trial. The overcomplication of the pre-institution phase also disadvantages less experienced parties against experienced ones.

If the presumption is eliminated, it should not lead to full arguments on the merits prior to institution. Such arguments will lead to legal waste on all sides due to procedural creep, where extra emphasis may now need to be placed on expert testimony, taking and defending additional depositions, and sifting through excessive evidence before an institution decision has been made.

¹¹ 81 Fed. Reg. at 18756 (April 1, 2016).

¹² 35 U.S.C. § 313.

¹³ Consolidated Trial Practice Guide November 2019, at 58; *see also Apple Inc., v. Fintiv, Inc.*, IPR2020-00019, Paper 11, at 5-6, 14-16 (PTAB March 20, 2020) (precedential).

¹⁴ 77 Fed. Reg. at 48680 (Aug. 14, 2012).

¹⁵ 81 Fed. Reg. at 18755 (April 1, 2016).

¹⁶ *See supra* note 11.

That is hardly an embodiment of the AIA’s stated goals and Congress’ intent to create an efficient, speedy alternative to unnecessary district court litigation.

Further complicating this issue is that the Trial Practice Guide states “if a trial is instituted, a patent owner may choose not to rely on testimony submitted with the preliminary response . . . by affirmatively withdrawing the testimony in the patent owner response. If a patent owner withdraws a declaration submitted with its preliminary response, that declarant will usually not be subject to deposition on the withdrawn declaration.”¹⁷ This may allow, for example, a Patent Owner to submit a declaration taking an extreme position to avoid institution; if the petition is denied institution, the petitioner will be left with an unappealable decision based on evidence that went unchallenged; if the petition is instituted, the Patent Owner may withdraw the declaration, and the petitioner will have no avenue to test the voracity of the statements made by the declarant pre-institution.

Moreover, if the presumption is eliminated, the change should not go into immediate effect—in view of the concerns raised here, if the change goes into effect immediately, the Board will be forced to address these pre-institution issues without any specific guidance, risking wildly divergent, panel-specific results until standards are put in place. These types of inconsistent results cut against the purpose of IPR proceedings, i.e., as a “quick and cost effective alternative[] to litigation.”¹⁸ Unless and until such guidance is provided, eliminating the presumption may severely impact the cost and efficiency of IPR proceedings for all parties involved.

3. Proposal to Add or Modify Procedural Safeguards

If the presumption is eliminated, despite the petitioner bearing the burden of proof at institution, it will not be given the benefit of the doubt and will not have an opportunity to respond to testimonial evidence now being given full weight. Although Unified supports keeping the presumption for the reasons discussed above, if eliminated, it is imperative that petitioners be allowed the opportunity to address these issues in some form.¹⁹ It would be unfair to allow testimonial evidence in the POPR to raise factual disputes and not resolve them in favor of the petitioner if the petitioner cannot respond in any way.

We propose the following additions and/or modifications that should arise when a Patent Owner includes expert testimony in the POPR:

- Petitioners should be allowed to depose an expert prior to institution, as the expert is now being given full credit at this stage of the proceeding.
 - In line with this change, petitioners should be allowed to file a reply to the POPR, or at minimum, file observations into the record or a notice of supplemental information based upon an expert deposition conducted prior to institution.

¹⁷ Consolidated Trial Practice Guide November 2019, at 51.

¹⁸ H.R. Rep. 112-98 part 1, at 48 (2011); *see also* S. Rep. 110-259, at 20 (2008).

¹⁹ *See supra* note 11.

- Petitioners should further be allowed to depose the same expert again, if a new declaration is included with the Patent Owner Response (or be allowed to depose a different expert, if a different expert submits a new declaration with the Patent Owner Response)—i.e., in general, the petitioner should be afforded one expert deposition per unique declaration provided by Patent Owner.

B. Proposed Amendments to §§ 42.108(a) and 42.208(a) in view of *SAS* (institution of all challenged claims)

Unified supports these amendments, as they generally reflect the Supreme Court’s decision in *SAS* and the current practice of the Board; though the Supreme Court was silent on denial of multiple *grounds*, that result seems in line with the spirit and thrust of the opinion and it stands to reason is within the agency’s power to implement.

But we caution against any expansion using this amended statutory language to deny petitions that would otherwise have merit. As discussed, the threshold requirement for institution remains whether “there is a reasonable likelihood that the petitioner would prevail with respect to **at least 1 of the claims** challenged in the petition.”²⁰ The proposed amendments should not be interpreted as changing (or raising) this threshold.

C. Proposed Amendments to §§ 42.23, 42.24, 42.120, and 42.220 in view of *SAS* (addressing issues from the institution decision in principal briefs, replies, and sur-replies)

Unified supports these amendments, as they reflect the widespread current practice of allowing petitioners and Patent Owners to respond to issues raised in the institution decision, a common-sense practice recognizing that the proceeding involves three parties, the Board, the petitioner, and the patent owner.²¹

We note that the “decision to institute is made by the Director and committed to his unreviewable discretion.”²² As such, we would caution that these amendments should not allow patent owners to continue to unnecessarily re-litigate institution-level issues already decided by the Board. Parties should confine their briefs to responding to the merits of the institution decision, rather than seeking to unwind decisions already made.

III. CONCLUSION

Unified again commends the PTO for their continued efforts to address and improve issues affecting the IPR process and for continuing to implement Congress’ stated goals of a more “efficient,” “streamlined” patent system that “limits counterproductive litigation.”²³ Unified

²⁰ 35 U.S.C. § 314(a) (emphasis added).

²¹ See Trial Practice Guide Update at 14 (Aug. 2018); 37 C.F.R. 42.23(b).

²² *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016).

²³ See 157 CONG. REC. S1380 (daily ed. Mar. 8, 2011) (statement of Sen. Grassley) (“The [AIA] will institute beneficial changes to the patent approval and review process, and will curb litigation abuses and improve certainty for investors and innovators.”); see also *id.* at S1361 (statement of Sen. Leahy) (“This bill will establish a more

encourages the PTO to consider the impact eliminating the presumption may have on the pre-institution phase in view of the concerns raised here and the PTO's prior statements on the topic. If you have any questions on our comments or would wish for us to further explain any of our comments, please feel free to contact us. We thank the PTO for the opportunity to submit these comments and provide our views.

Respectfully submitted,

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efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. . . ."); id. at S1350 ("[W]e must have a patent system that produces high quality patents, that limits counterproductive litigation over those patents, and that makes the entire system more streamlined and efficient."); id. at S1361–62 ("The America Invents Act will accomplish 3 important goals, which have been at the center of the patent reform debate from the beginning: It will improve and harmonize operations at the PTO; it will improve the quality of patents that are issued; and it will provide more certainty in litigation."); id. at S1363 (statement of Sen. Schumer) ("Litigation over invalid patents places a substantial burden on U.S. courts and the U.S. economy."); H.R. REP. NO. 112-98, pt. 1, at 40 (2011) ("The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.")